

Testimony of

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Before the House Committee on Agriculture

**Hearing: A 2022 Review of the Farm Bill: Commodity Group Perspectives on
Title 1**

**Washington, D.C.
March 1, 2022**

Good morning, Chairman Scott, Ranking Member Thompson, and Members of the Committee. Thank you for this opportunity to testify before you today concerning the Commodity Title of the 2018 Farm Bill.

My name is Rob Johansson, and I am the Director of Economics and Policy Analysis at the American Sugar Alliance (ASA), the national coalition of sugarbeet and sugarcane growers, processors, and refiners.

The U.S. sugar industry generates more than 140,000 jobs in 21 states and \$20 billion in annual economic activity (see figure 1. Map of the U.S. sugar industry).¹

American consumers benefit from a safe, high-quality, reliable, sustainably produced,² and affordable source of an essential ingredient in the nation's food supply. Sugar is used as a natural sweetener, preservative, and bulking agent in 70 percent of U.S. food manufacturing. Our farmers, millers, processors, and refiners have built a strong and resilient supply chain for American sugar.³ Proudly, our product is stored and distributed from 90 strategically located facilities throughout the nation ready for delivery when and where needed according to the specifications required by our customers. Unlike some other food items, there were no bare spots on grocery store sugar shelves throughout the pandemic. That success is attributable to U.S. sugar policy.

Our industry proudly meets some of the highest labor and environmental standards in the world, unlike many other large sugar producing countries. Moreover, using best practices and continuous improvement, our sector has made huge strides in sustainability, mainly through productivity gains in soil fertility, mechanization, improved seed genetics, and refining efficiencies. In fact, over the

¹ LMC International, "*The Economic Importance of the Sugar Industry to the U.S. Economy – Jobs and Revenues*," Oxford, England, August 2011.

² See <https://sugaralliance.org/producing-sugar-sustainably/sugar-sustainably-sweet-stories>.

³ We documented that supply chain resilience for American sugar supplies at our submission to USDA this past spring (<https://www.regulations.gov/comment/AMS-TM-21-0034-0437>).

past 20 years, we have increased production by 16 percent on 11 percent fewer acres, through improved sugarcane and sugarbeet yields.

Many of the jobs and businesses generated and supported by the U.S. sugar industry are in highly vulnerable and economically distressed rural areas.

This hearing is timely and important for sugarcane and sugarbeet farmers because Title I of the Farm Bill — the Commodity Title — represents a critical safety net for our farm families and the many employees of sugar mills, processors, and refineries throughout the country.

I will make four main points today.

First, efficient U.S. sugar producers are threatened by less efficient foreign subsidized and dumped sugar that usually sells well below the exporters cost of production. This makes the world sugar market the most distorted and volatile commodity market in the world (see figure 2. World's largest sugar exporters). There are no signs of that changing in the foreseeable future. The U.S. is also the third largest importer in the world of this essential commodity to meet 30 percent of our needs. This is because our trade commitments require these imports. Over the past two years it is clear that we must not become overly dependent on foreign suppliers for essential goods particularly for food, energy, computer chips, and the like. This is why an effective sugar policy, which maintains a strong domestic industry, is essential to the food security of our nation.

Second, U.S. sugar policy is structured to serve American farmers, consumers, food manufacturers, and taxpayers as it comes at no cost to the U.S. Treasury. U.S. sugar policy has operated at zero cost to taxpayers 17 of the past 18 years and is expected to do so again this year. USDA projects zero cost over the next 10 years, as well. The one time it did not operate at zero cost was due to Mexico's dumping of sugar onto the U.S. market at below Mexico's production costs which the International Trade Commission unanimously held violated U.S. trade law. That problem has been resolved.

However, the loan rate for raw cane sugar and refined beet sugar has not kept up with inflation nor the rising costs of production (see figure 3. Rising input costs). It no longer provides a realistic safety net for our producers. Since the early 1980's we have closed 68 processing facilities and most outside investors have exited the remainder of the industry due to the high risk and low returns. It was our family farmers who stepped up to rescue the industry from further closures of their factories, mills, and refineries (see figure 4. Facility closures). Now many of those are struggling. Operating margins are being squeezed each year, due to rising labor, fuel, seed, fertilizer, equipment and interest rate costs that hit our producers in the field and at the factories they own.

Having a loan rate that is closer to actual costs of production would provide a more effective safety net to our producers. As such, we would support examining how the farm safety net could be updated in the next Farm Bill for all Title I commodities to better match actual operating costs for producers.

Third, sugarcane and sugarbeets, like most crops, are grown in areas that experience weather disruptions. Crops are resilient, yet risk protection is needed given the continued exposure to strong hurricanes, freezes, and frequent and more intense droughts. Sugarcane and sugarbeet farmers do have some insurance products available to them, but those crop insurance tools are not as well developed or affordable as for some other commodities. For sugarbeets, policies are limited to yield-based coverage and do not benefit from a revenue-based product like other commodities. For sugarcane, the Hurricane Insurance Program (HIP) has been an invaluable addition, but a prevented planting provision is needed. Participation and coverage levels for sugarcane lag significantly behind other crops so better addressing sugarcane's unique perils would be helpful. Price election methods should also be updated to better reflect market prices.

Sugarbeet farmers have participated in WHIP+ previously and cane farmers are considering how their losses in 2021 might be eligible for the most recent WHIP+ program (note that WHIP+ is not currently authorized for recent 2022 disasters such as the January freeze in Florida). For those reasons and because this committee has signaled an interest in developing additional risk management programs in Title I to complement crop insurance, we are certainly receptive to new efforts to provide standing disaster coverage in ways that do not undermine crop insurance and possibly even encourage greater participation and coverage levels. Under any standing disaster program, we would certainly encourage the committee to provide particular help to crops that might not have access to more successful crop insurance coverage options or for which the program has just not operated optimally.

Lastly, the current Title I sugar policy can provide an adequate economic safety net for American sugarcane and sugarbeet farmers, provided it is kept up to date and so long as there remains in place effective responses to foreign sugar-producing countries' subsidizing and dumping. Without those responses, we would effectively outsource our sugar supply to heavily-subsidized and unreliable foreign sugar suppliers whose environmental and labor standards simply do not measure up to our own --- the opposite of strengthening supply chains and contrary to providing a safety net to American producers. Under that scenario, farmers, consumers, and taxpayers would all lose.

On behalf of the more than 11,000 sugarcane and sugarbeet farmers in the United States as well as the employees in our mills, processors, and refineries, I thank you for supporting sound U.S. sugar policy and strongly opposing harmful proposals that would undermine the success of this policy.

We encourage and welcome the members and staff of the committee to visit our farms and factories. We look forward to working with you as this committee continues to hear from producers as you weigh options for improving the Farm Bill.

Thank you for your consideration and your support for American sugarcane and sugarbeet family farmers. I look forward to any questions you might have.

Rob Johansson
Director of Economics and Policy Analysis
American Sugar Alliance

Figure 1. Map of the U.S. sugar industry

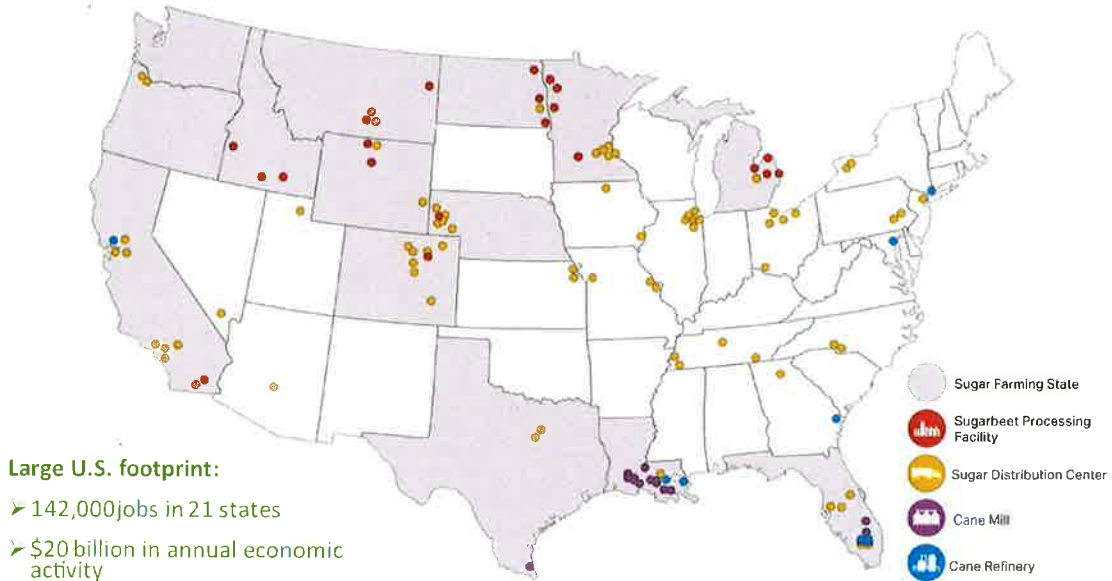
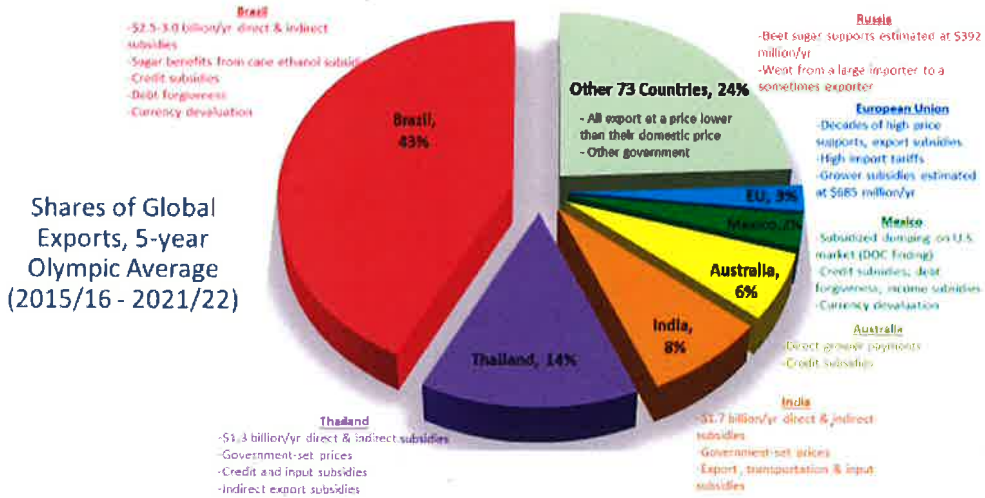
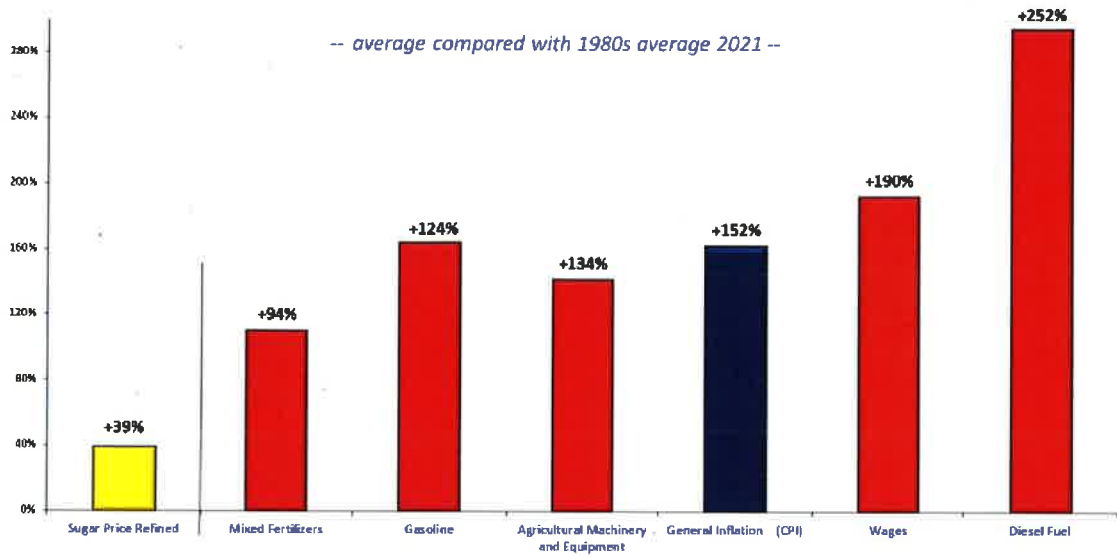


Figure 2. World's largest sugar exporters



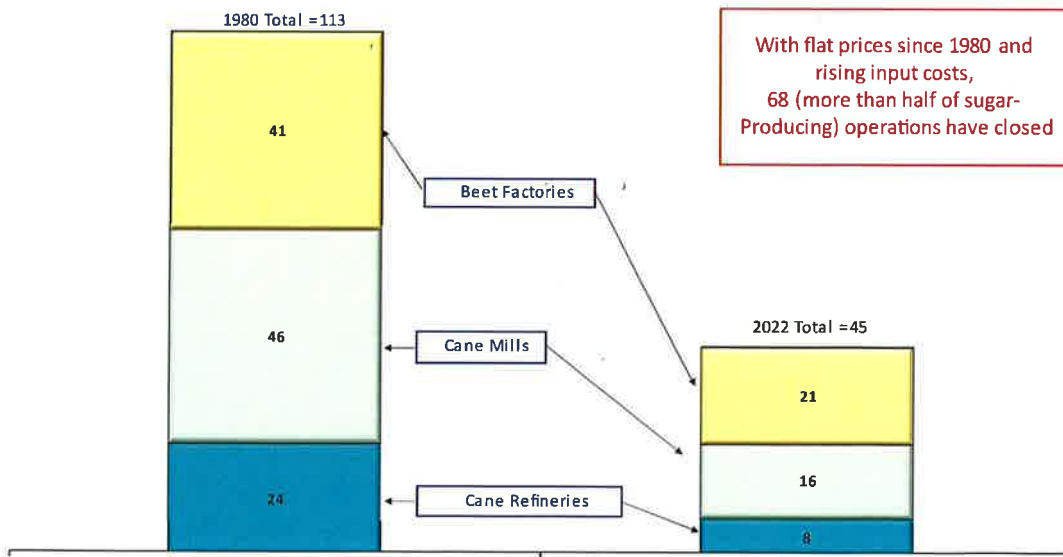
Data: Export data - USDA/FAS, Nov. 2021. 2021/22 forecast.
 Prices - International Sugar Organization, Domestic Sugar Prices - a Survey, May 2019.
 Subsidies - USDA/FAS attaché reports, press reports, country studies. May not add due to rounding.

Figure 3. Rising input costs outpacing sugar price



1980's average compared with 2021 average to date.
 Sugar price data source: USDA, Table 5; Wholesale refined price (Midwest markets). Input cost and inflation data source: Bureau of Labor Statistics.

Figure 4. Facility closures since 1980



Source: American Sugar Alliance, 2022